

ATTACHMENT

September 4, 2012
Board Meeting

Agenda Item
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2012-13 Budget Update

Presented to the Board of Education
September 4, 2012

*Presented By: Rich Fagan, Associate Superintendent
of Finance & School Support*



Overview

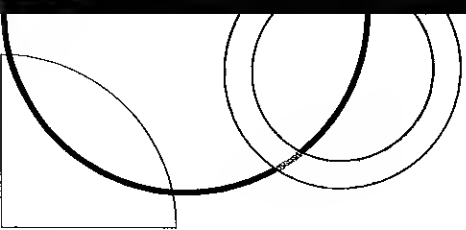
- Pending Federal Budget Discussion
- July State Revenue
- Ballot Initiative
- Pension Reform
- School Finance Reform



Pending Federal Budget Discussion

- 2012-13 federal funding for education programs remains relatively flat
- However, potential automatic across-the-board “sequestration” cuts could occur in January 2013*
- Absent an alternative bipartisan agreement by Congress to reduce the deficit, education funding could be reduced by an estimated 7% to 9%*
- Title I grants could be cut by \$1.2 billion nationally – estimated \$0.9 million for EGUSD
- IDEA (special education) grants could be cut by \$973 million nationally – estimated \$0.9 million for EGUSD
- **Will not be effective until 2013-14 fiscal year**

*Source: *Fiscal Report, School Services of California, August 31, 2012*



July State Revenue

- State revenues for July 2012 were short of the budgeted level by \$376 million
- Other economic factors
 - Employers added 38,300 jobs in July
 - Unemployment rate dropping from 10.8% in May to 10.7% in June
 - June job increase revised up to 45,900
 - First half of 2012 the state has added 147,000 jobs, strongest half-year growth since 2005
 - Home sales recorded three-month total outpacing last year's performance by 13%



Ballot Initiative

- Proposition 30 – Governor Brown’s Initiative
 - 55% of voters supported, while 36% were opposed
- Proposition 38 – Munger Initiative
 - Only 40% of respondents supported the initiative, nearly half of all responding opposed it
- 51% of voters – Felt that fundamental change for public education is necessary



AB 340 – California Public Employees’ Pension Reform Act of 2013

- Impact on Current CalSTRS & CalPERS Members
 - Eliminates the purchase of non-qualified air time
 - Prohibits public employers from granting employees retroactive pension benefit enhancements
- Requires an equal sharing of employer and employee contributions by January 1, 2018



AB 340 – California Public Employees’ Pension Reform Act of 2013 Continued

- Employees Hired After January 1, 2013
 - Significant changes to retiree benefit formulas and retirement ages and caps retirement compensation
 - New defined benefit formula for retirement at age 62, early retirement at age 52 for all school employees
 - Compensation that counts towards defined benefit program is capped at IRS 403(b) maximum levels
 - Supplemental defined benefit plans will be strictly prohibited



AB 18 - School Finance Reform

- Bill to Establish Task Force on School Finance Heads to Governor for Consideration
 - Would establish the California Task Force on School Finance
 - Would review and analyze alternative formulas for allocating funds to public schools
 - Report findings and recommendations to the Legislature by April 1, 2013
 - Develop school finance formula or formulas that would best meet the needs of California's public school system and pupils
- Governor has until September 30, 2012 to act on AB 18



Next Steps

- 2011-12 EGUSD Unaudited Actuals September 18, 2012
- Tax Initiative Election November 6, 2012
- 2012-13 1st Interim Report December 2012
- 2013-14 Governor's Budget Proposal January 10, 2013
- 2012-13 2nd Interim Report March 2013

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2012-13 Mandated Cost Reimbursement Options

Presented to the Board of Education



September 4, 2012

History of Mandated Cost Claims and Outstanding Balances

- The outstanding mandated cost claim reimbursements due to EGUSD from the State for the period from 1993/94 to 2010/11 total \$41.6 million
- Does not include the 2011/12 mandated cost reimbursement claim (estimated \$4 million) that is in the process of being prepared
- Nearly all of these outstanding claims are still subject to being audited by the State Controllers office
 - Previous mandated cost audits for other districts have resulted in 50% or greater reductions in the actual reimbursement amount

Mandated Cost Reimbursement

Changes for 2012/13

- Significant changes have been made to the mandated cost reimbursement claiming process
- Almost 50% of the prior years reimbursable mandated activities have been eliminated
- District must make an annual decision each school year by September 30th to use either:
 - The previous mandated cost reimbursement claiming process based on actual costs claimed
 - The alternative mandated cost Block Grant based on a flat dollar amount of \$28 per student
- In order to make the choice, we should calculate on average what reimbursements would be under the previous program
 - This is difficult as most pending claims haven't been audited by the State Controller's office to determine actual reimbursement amount

Mandated Cost Claim Options for 2012/13

- Reimbursement Option 1 - We have estimated the 2012/13 mandated cost reimbursement to be \$1.56 million
 - Based on 3 year average of unaudited claims filed
 - Only uses remaining reimbursable mandates
 - Claim will be added to existing outstanding amount receivable to the district for future payment
 - Subject to audit by State Controller prior to payment
- Block Grant Option 2 – We have estimated the 2012/13 mandated cost block grant to be \$1.60 million
 - Cash scheduled to be disbursed in 2012/13 fiscal year
 - Mandated block grant will be included in the annual compliance audit (EC 041020), not financial audit

Recommendation and Next Steps

- For the 2012/13 fiscal year staff recommends that the Board approve the Block Grant option 2
 - September 18, 2012 – Item presented for Board of Education’s action
 - By October 1, 2012 – Submit “Letter of Intent” to California Department of Education should the Block Grant option be approved
- The current claiming method and assistance from the District’s Mandated Cost claims preparer (MAX8550) would be used to complete claims for the 2011/12 fiscal year
 - 2011/12 claims due February 2013
- Discussion and Questions

Revision

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Agenda Item No: 23

Supplement No. _____

Meeting Date September 4, 2012**Board Agenda Item****Subject:**Division: Facilities and Planning

**C.W. Dillard Elementary School Test Well Lease/Leaseback
Award of Contract**

Action Requested:

The Board of Education is asked to (1) authorize the Administration to sign all documents and contracts pertaining to this work.

Discussion:

On August 10, 2012, the Administration solicited Request for Proposals (RFP) for the C.W. Dillard Elementary School Test Well project.

This project includes a test hole drilled on site and staked. It will be drilled approximately 600 feet, utilizing an inorganic mud as a drilling fluid. Total containment and off-haul of all drilling spoils and mud will be provided.

The RFP was issued to three (3) qualified well drilling firms that were selected by the Engineer. One (1) proposal was received on August 28, 2012. Pricing was negotiated with the Engineer, evaluated, and the Engineer recommends Eaton Drilling Company, Inc., as the firm best qualified to meet our needs.

The Administration recommends the award of an LLB contract to Eaton Drilling Company, Inc., for the Guaranteed Maximum Price (GMC) of \$29,990.00.

Financial Summary:

Funded with State School Building Funds, Measure A proceeds, and/or Developer Fees.

Prepared By: Stacey Allison SA Division Approval: Robert Pierce RP

Prepared By: Lee Leavelle LL Superintendent Approval: Steven M. Ladd Ed.D. SL